



Office of General Counsel
Washington DC 20420

In Reply Refer To: **00REG**

August 5, 2021

Subject: Economic Regulatory Impact Analysis for RIN 2900-AR25(IF), Presumptive Service Connection for Respiratory Conditions Due to Exposure to Particulate Matter

I have reviewed this rulemaking package and determined the following.

1. VA has examined the economic, interagency, budgetary, legal, and policy implications of this regulatory action and has concluded that it is an economically significant rule under Executive Order 12866.
2. This regulatory action is also a major rule under the Congressional Review Act, because it is likely to result in an annual effect on the economy of \$100 million or more.
3. This rulemaking will not have a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act, 5 U.S.C. 601-612.
4. This rulemaking is not likely to result in the expenditure of \$100 million or more by State, local, and tribal governments, in the aggregate, or by the private sector, in any one year, under the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 1532.
5. Attached please find the relevant regulatory impact analysis document dated August 5, 2021.

Approved by:

Roy Johnson
Chief Economist
Office of Regulation Policy & Management (00REG)
Office of General Counsel

Regulatory Impact Analysis for RIN AR25(IFR)

Organization: Veterans Benefits Administration (VBA)

Title of Rulemaking: Presumptive Service Connection for Respiratory Conditions Due to Exposure to Particulate Matter

Impact Analysis for: RIN 2900-AR25(IFR)

Purpose: To determine the economic impact of this rulemaking.

Summary: The Department of Veterans Affairs (VA) is amending its adjudication regulations to establish presumptive service connection for three chronic respiratory health conditions, i.e., asthma, rhinitis, and sinusitis, including rhinosinusitis, based on exposure to fine, particulate matter. This would apply to veterans who served on active military, naval, or air service in the Southwest Asia theater of operations during the Persian Gulf War (hereafter Gulf War), as well as in Afghanistan, Syria, Djibouti, and Uzbekistan, on or after September 19, 2001 during the Gulf War. This amendment is necessary to provide expeditious health care, services, and benefits to Gulf War veterans who were exposed to fine, particulate matter associated with deployment to the Southwest Asia theater of operations, as well as Afghanistan, Syria, Djibouti, and Uzbekistan. The intended effect of this amendment is to address the needs and concerns, supported by science, of Gulf War veterans and service members who have served and continue to serve in these locations as military operations in the Southwest Asia theater of operations have been ongoing from August 1990 until present time.

Benefits: This rulemaking will allow VA to provide access to immediate health care, services, and benefits such as disability compensation and life insurance to current and future Gulf War veterans who may be affected by particulate matter due to their military service, and to ease the evidentiary burden of Gulf War veterans who file claims with VA for these most commonly claimed respiratory conditions associated with such exposure.

Estimated Impact: VA has determined that there are both Transfers and Costs associated with this rulemaking. The transfers are estimated to be \$129.0 million in FY2021 (2 months only in 2021), \$4.8 billion over five years, and \$11.6 billion over ten years. The costs are estimated to be \$10.3 million in FY2021 (2 months only in FY2021), \$479.2 million over five years, and \$655.5 million over ten years. The *Total Budgetary Impact* is estimated to be \$139.5 million in FY2021 (2 months only in FY2021), \$5.3 billion over five years, and \$12.2 billion over ten years.

Transfers					
Fiscal Year (FY)	VBA C&P Mandatory	VBA Housing Mandatory	VBA Insurance Mandatory	VHA (Net of Collections)	Total
FY	Obligations (\$000s)	Obligations (\$000s)	Obligations (\$000s)	Discretionary Obligations (\$000s)	Transfer Obligations (\$000s)
2021	\$126,652	(\$167)	\$0	\$2,700	\$129,185
2022	\$1,110,115	\$32,558	4,121	\$42,979	\$1,189,773
2023	\$1,082,213	\$12,406	1,302	\$57,599	\$1,153,520
2024	\$1,095,769	\$6,210	1,582	\$66,270	\$1,169,831
2025	\$1,096,082	\$3,208	1,327	\$72,043	\$1,172,660
5-Year Total	\$4,510,831	\$54,214	\$8,332	\$241,590	\$4,814,967
2026	\$1,145,273	\$3,297	886	\$78,371	\$1,227,827
2027	\$1,199,574	\$3,370	1,499	\$84,981	\$1,289,424
2028	\$1,256,085	\$3,445	1,201	\$91,695	\$1,352,426
2029	\$1,313,957	\$3,504	1,844	\$98,526	\$1,417,831
2030	\$1,372,828	\$3,547	3,174	\$105,955	\$1,485,504
10-Year Total	\$10,798,548	\$71,378	\$16,936	\$701,118	\$11,587,980

Costs						
Fiscal Year (FY)	VBA Discretionary		BVA Discretionary		OIT Discretionary	Total
FY	FTE	Obligations (\$000s)	FTE	Obligations (\$000s)	Discretionary Obligations (\$000s)	Discretionary Obligations (\$000s)
2021	424	\$8,256	0	\$0	\$2,034	\$10,290
2022	1,534	\$198,125	33	\$5,775	\$9,711	\$213,611
2023	795	\$98,282	136	\$24,221	\$6,082	\$128,585
2024	447	\$55,086	125	\$22,676	\$3,340	\$81,102
2025	265	\$32,426	61	\$11,287	\$1,781	\$45,494
5-Year Total		\$392,175		\$63,959	\$22,947	\$479,081
2026	238	\$29,123	32	\$6,139	\$1,587	\$36,849
2027	235	\$28,893	23	\$4,388	\$1,609	\$34,890

2028	233	\$28,806	21	\$4,235	\$1,637	\$34,678
2029	232	\$28,861	21	\$4,249	\$1,672	\$34,782
2030	232	\$29,022	21	\$4,310	\$1,712	\$35,044
10-Year Total		\$536,880		\$87,280	\$31,306	\$655,466

Total Budgetary Impact

Total			Total Mandatory and Discretionary
FY	Transfers Obligations (\$000)	Costs Obligations (\$000)	Obligations (\$000)
2021	\$129,185	\$10,290	\$139,476
2022	\$1,189,773	\$213,611	\$1,403,384
2023	\$1,153,520	\$128,585	\$1,282,105
2024	\$1,169,831	\$81,102	\$1,250,933
2025	\$1,172,660	\$45,494	\$1,218,154
5-Year Total	\$4,814,967	\$479,081	\$5,294,048
2026	\$1,227,827	\$36,489	\$1,264,316
2027	\$1,289,424	\$34,890	\$1,324,314
2028	\$1,352,426	\$34,678	\$1,387,104
2029	\$1,417,831	\$34,782	\$1,452,613
2030	\$1,485,504	\$35,044	\$1,520,548
10-Year Total	\$11,587,980	\$655,466	\$12,243,446

Assumptions and Methodology:

VBA Compensation and Pension (C&P)

The mandatory transfers associated with the C&P account are estimated to be \$126.7 million in FY2021 (2 months in 2021), \$4.5 billion over five years, and \$10.8 billion over ten years.

	Veterans		Survivors		Contract Exams	Total	
Fiscal Year	Caseload	Obligations (\$000s)	Caseload	Obligations (\$000s)	Obligations (\$000s)	Caseload	Obligations (\$000s)
2021	51,639	\$25,610	0	\$0	\$101,043	51,639	\$126,652
2022	223,975	\$681,782	173	\$3,738	\$424,595	224,148	\$1,110,115
2023	285,242	\$880,870	200	\$3,825	\$197,518	285,442	\$1,082,213
2024	311,600	\$979,955	344	\$6,775	\$109,039	311,944	\$1,095,769

2025	320,233	\$1,026,584	525	\$10,648	\$58,851	320,758	\$1,096,082
5-Year		\$3,594,800		\$24,986	\$891,045		\$4,510,831
2026	328,760	\$1,075,351	714	\$14,910	\$55,012	329,474	\$1,145,273
2027	337,123	\$1,125,219	900	\$19,354	\$55,000	338,023	\$1,199,574
2028	345,243	\$1,175,940	1,084	\$24,003	\$56,142	346,327	\$1,256,085
2029	353,094	\$1,227,432	1,264	\$28,820	\$57,705	354,358	\$1,313,957
2030	360,662	\$1,279,632	1,439	\$33,786	\$59,410	362,101	\$1,372,828
10-Year		\$9,478,374		\$145,860	\$1,174,314		\$10,798,548

Methodology

For purposes of this analysis, VBA assumes an implementation and effective date of August 1, 2021. Therefore, costs reflect two months of payments in 2021 and twelve months of payments in the out-years.

Veteran Compensation

VBA's Office of Performance Analysis and Integrity (PA&I) provided data on Veterans who served on active military, naval, or air service in the Southwest Asia theater of operations, as well as Afghanistan, Syria, Djibouti, and Uzbekistan, during the Persian Gulf War (hereafter Gulf War). The data indicates that a total of 3,284,440 Veterans were deployed to these areas during the Gulf War. Based on available data on Gulf War Veterans, VBA estimates that 3,217,518 million of these Veterans are living, and 1,984,536 of these Veterans are within 10 years of separation. The number of deployed Veterans within 10 years of separation were projected to the out-years based on VA's VetPop model projections for Gulf War Era Veterans.

The data from PA&I further indicated the number of deployed Veterans previously denied for rhinitis, sinusitis, or asthma (290,156 total) and the reason code associated with each denial. VBA assumes that all Veterans who were previously denied for any reason other than no diagnosis (181,930) were within 10 years of separation. VBA further assumes that these previous denied Veterans would re-apply and receive a grant within twelve months of the effective date of this rulemaking.

To estimate the number of Veterans with rhinitis, sinusitis, and asthma without a previously denied claim, VBA applied general population prevalence rates from the Centers for Disease Control and Prevention (CDC) and the National Institutes of Health (NIH) to the number of deployed Veterans. For asthma and sinusitis, VA utilized 8.0 and 11.6 percent prevalence rates, respectively, based on the general population adult prevalence from the CDC (see <https://www.cdc.gov/asthma/asthmadata.htm> and <https://www.cdc.gov/nchs/fastats/sinuses.htm>). For rhinitis, VA estimated a 20 percent prevalence rate based on multiple sources, including an NIH study (<https://pubmed.ncbi.nlm.nih.gov/17153005/>) indicating estimates of the prevalence of allergic rhinitis range from 9 percent to 42 percent as well as VA's public health website indicating that allergic rhinitis affects 10 to 30 percent of children and adults in the United States (https://www.publichealth.va.gov/exposures/publications/military-exposures/meyh-4/allergic_rhinitis.asp). These prevalence rates were applied to the

estimated 1,984,536 deployed Gulf War Veterans within 10 years of separation to estimate the potential affected caseload for each condition.

VBA assumes that all deployed Gulf War Veterans within 10 years of separation with one of these presumptive conditions would apply for and receive a grant between 2021 and 2030. Additionally, Compensation Service estimates that 10 percent of Veterans beyond 10 years of separation with one of these conditions would have sufficient evidence in their medical records to demonstrate these conditions manifested within the 10-year window. Application rates between 2021 and 2030 were assumed to be front-loaded, with 60 percent of grants occurring from 2021-2023, and 40 percent of grants between 2024-2030.

PA&I provided the following data on Gulf War Veterans with combinations of rhinitis, sinusitis, and/or asthma currently on the compensation rolls.

Condition	Veterans
Sinusitis, Rhinitis and Asthma	17,478
Sinusitis and Rhinitis	90,693
Sinusitis and Asthma	11,094
Rhinitis and Asthma	26,745
Sinusitis only	95,809
Rhinitis only	155,271
Asthma only	83,727
Grand Total	480,817

Based on this data and the caseload estimates for each individual condition (without overlap), VBA was able to estimate all seven combinations of the three conditions. First, Veterans with rhinitis were split between (1) rhinitis only, (2) rhinitis and asthma, (3) rhinitis and sinusitis, and (4) rhinitis, asthma, and sinusitis based on the distributions in this table. Then, the splits for (3) and (4) were backed out of the sinusitis estimated total caseload, and the balance was split between (5) sinusitis only and (6) sinusitis and asthma based on splits in this table. Finally, the splits for (2), (4), and (6) were subtracted from the estimated asthma total caseload with the balance being (7) asthma only. This analysis revealed significant correlation between these conditions and found that 30 percent of Veterans receiving compensation for one of these three conditions was receiving compensation for either two or all three of these conditions.

The caseload was then split between Veterans new to the rolls and Veterans already on the rolls. Based on data provided by PA&I, 54.8 percent of deployed Gulf War Veterans are on the compensation rolls for other conditions. The remaining 45.2 percent of Veterans are assumed to be new to the compensation rolls. Veterans already on the compensation rolls for other conditions are assumed to have an average current rating of 60 percent, which is based on the overall average degree of disability for Veterans on the compensation rolls. For these Veterans, a combined degree of disability was calculated based on the current 60 percent rating with an additional rating for rhinitis, sinusitis, and/or asthma. The additional rating for the presumptive conditions was based

on the rating distribution for each condition for Veterans currently on the rolls. The resulting combined rating varies from remaining at 60 percent (if the Veteran receives a 0 percent rating for the new presumptive conditions), to an increase to 100 percent (if the Veteran receives a 90 or 100 percent rating for the new presumptive conditions). The corresponding increases in average payments between degrees of disability, based on the 2022 President's Budget, were applied to the caseload to calculate the increase in obligations.

Caseload for Veterans who would be new to the compensation rolls was distributed by degree of disability based on the rating distribution for Veterans currently on the rolls for each condition. The average payments at each degree of disability from the 2022 President's Budget were then applied to the caseload to calculate obligations. Annual cost-of-living adjustments (COLAs) from the 2022 President's Budget were applied to estimate average costs in subsequent years.

Survivor Compensation

The compensation caseload for Survivors associated with deaths of Veterans diagnosed with rhinitis, sinusitis, or asthma are based on two populations: deceased deployed Gulf War Veterans previously denied service connection for one of these conditions and future Survivor accessions. Data from PA&I indicated that 9,455 deceased Gulf War Veterans were previously denied service connection for rhinitis, sinusitis, or asthma. Compensation Service estimates that five percent, or 473, of these Veteran deaths are linked to these conditions and result in DIC eligibility. Based on Census Bureau marriage statistics, VA estimates that 50 percent, or 237, of these Veterans had Survivors at their time of death. VA further assumes overlap in these conditions among Veteran deaths, resulting in an estimated 172 Survivors receiving DIC benefits in 2022.

Survivor accessions in the out-years are based on the estimated deaths of Veterans receiving compensation for service-connected rhinitis, sinusitis, or asthma. The estimated Veteran deaths are based on Veteran compensation termination rates from the 2022 President's budget. For these Veteran deaths, the same 50 percent marriage rate and five percent DIC eligibility rate were applied to calculate Survivor accessions. For purposes of this cost estimate, Survivors are assumed to access the rolls at the beginning of the year following the Veterans' deaths. Survivor deaths were calculated by applying survivor compensation termination rates from the 2022 President's Budget and used to project Survivor caseload in the out-years.

Average payments for Survivors receiving DIC are based on the 2022 President's Budget. This average (\$18,826 in FY 2021) was applied to the estimated caseload to calculate obligations. COLAs from the 2022 President's Budget were applied to estimate average payments in subsequent years.

VBA Contract Exams

VA estimates that adding rhinitis, sinusitis, and asthma a presumptive condition for toxic exposure for Gulf War Veterans would result in an additional 64,548 Veteran disability

claims requiring contract exams in 2021, 221,452 claims in 2022, and 591,312 claims over ten years. These estimates are based on the caseload assumptions previously described along with an assumed 80/20 split for grants and denials and a 33 percent reopened claim rate for previous denials (End Product 020). Based on historical data, VBA estimates approximately 1.4 exams will be requested per disability claim, resulting in an estimated 89,650 exams in 2021, 307,571 exams in 2022, and 821,266 exams over ten years.

VBA assumes that all exams will be funded through VBA contracts. These contracts are initially paid through VBA's General Operating Expenses account and then reimbursed from the mandatory Compensation and Pensions account. Based on projections in the 2022 President's Budget, the average cost per exam is estimated to be \$1,127 in 2021 and to increase to \$1,758 by 2030. The estimated increases to the average cost of an exam in the outyears are driven by the terms of the contract. The total cost for VBA contract exams was calculated by applying the average cost per exam to the estimated number of exams requested each year.

Home Loan Benefits

VA estimates that there will be a savings of \$167,000 in additional Loan Guaranty benefits in 2021, but then will incur costs for the remaining years. The 5-year total will be \$54 million, and the 10-year total will be \$71 million.

Additional Loan Guaranty Benefits					
Fiscal Year	Svc Conn Workload (Count)	No Down Workload (Count)	Cash Out Workload (Count)	Workload (\$000s)	Cost (\$000s)
2021	1,203	-602	-602	\$33,253	-\$167
2022	4,048	-2,024	-2,024	\$84,363	\$32,558
2023	1,572	-786	-786	\$33,319	\$12,406
2024	800	-400	-400	\$17,244	\$6,210
2025	405	-202	-203	\$8,900	\$3,208
5-Year Total	8,028	-4,014	-4,014	\$177,079	\$54,214
2026	409	-204	-205	\$9,141	\$3,297
2027	412	-206	-206	\$9,341	\$3,370
2028	413	-206	-207	\$9,546	\$3,445
2029	413	-206	-207	\$9,709	\$3,504
2030	412	-206	-206	\$9,826	\$3,547
10-Year Total	10,088	-5,044	-5,044	\$224,642	\$71,378

To estimate additional loan workload impact, VA notes that approximately 5 percent, or 980,000 out of 19.6 million, of living Veterans currently utilize their home loan benefits annually. Therefore, applying a similar usage rate to the annual rising population of newly eligible individuals schedule, VA estimates an additional 10,088 service-

connected home loan guarantees could result from this ruling. The additional workload of 10,088 comprises 1,203 loans in 2021 and decreasing to 412 loans in 2030.

The presumptions ruling creates a population of newly service-connected Veterans, and a commensurate reduction in funding fee receipts based on the utilization rates of the impacted population. Thus, VA distributed all of the additional workload in the Service-Connected loan guarantee category. To capture the funding fee component impact, VA decreased/shifted the No Money Down and Cash Out categories 50 percent each, commensurate with the increased service-connected loan population of 10,088.

VA uses the model for the 2022 President's budget baseline of estimates to transform the additional workload into benefit costs. The ruling could result in benefit costs of \$71 million in the period 2021 to 2030. The additional workload dollars are because of going from average no money down loan size of \$294,870 and average cash out loan size of \$263,639, to average service-connected loan size of \$309,091. The small -\$167 subsidy in 2021 reflects holding constant the enacted 2021 subsidy rate values. The average cost of \$7 million annually over 10 years seems reasonable for the portfolios of loans. The benefit costs are present-value subsidy estimates by extrapolating from model results based on the Credit Subsidy Calculator (CSC). CSC shows a positive subsidy rate for baseline of estimates for 2024-2030. This positive subsidy rate drives transformation of the additional workload into additional subsidy estimates for the ruling.

Insurance Benefits

VA estimates the impact on insurance would be \$4 million in 2022, \$8.3 million over five years, and \$16.9 million over ten years. The focus for Insurance is on annual new caseload for compensation since these Veterans would then become eligible to apply for Service-Disabled Veterans Life Insurance (SDVI). Cost projections were developed utilizing the workload projections from Compensation Service for new grants with the assumption that six percent of Veterans will apply for SDVI. Additionally, cost projections were developed in consideration with additional enrollment, premiums collected, resulting death claims, and the fact that the SDVI program will be closed to new applications on January 1, 2023 in conjunction with the "Johnny Isakson and David P. Roe, M.D. Veterans Health Care and Benefits Improvement Act of 2020."

Fiscal Year	Mandatory Cost (\$000s)
2021	0
2022	4,121
2023	1,302
2024	1,582
2025	1,327
5-Year	\$8,332
2026	\$886
2027	\$1,499
2028	\$1,201

2029	\$1,844
2030	\$3,174
10-Year	\$16,936

VBA GOE

The GOE estimate for 2021 is \$8.3 million and includes salary, benefits, rent, travel, supplies, other services, and equipment. Five-year costs are estimated at \$392.2 million, and ten-year costs are estimated at \$536.9 million.

GOE Costs		
Fiscal Year	FTE	Obligations (\$000s)
2021	424	\$8,256
2022	1,534	\$198,125
2023	795	\$98,282
2024	447	\$55,086
2025	265	\$32,426
5-Year Total	-	\$392,175
2026	238	\$29,123
2027	235	\$28,893
2028	233	\$28,806
2029	232	\$28,861
2030	232	\$29,022
10-Year Total	-	\$536,880

Methodology: GOE costs for 4th QTR FY 2021 were developed to hire additional FTE, using 424 FTE to include 160 GS-10 Veteran Service Representatives, 173 GS-12 Rating Veteran Service Representatives, 27 GS-6 Claims Assistants, 17 GS-13 Quality Review Team, 25 GS-13 Management, 7 GS-12 Human Resources, 7 GS-11 Support Services Division, and 8 GS-13 Central Office staff. In addition to the GS-levels above, all FTE costs were developed using the average VBA locality pay. FTE requirements increase in the outyears based on workload, and claims are expected to be similarly complex as other typical rating claims received.

Standard rates were applied for benefits, rent, travel, supplies, and equipment. Travel costs were based on an average of 1 week of management travel and determined using a standard travel rate. All other non-pay costs were developed based upon program requirements.

Information Technology

IT Costs: OIT identified amounts for FY2021 at \$2.0 million, \$22.9 million over five years, and \$31.3 million over ten years for FTE provisioning and system enhancements. Details are provided in the tables below.

FTE Provisioning

Year 1, Recurring, and Scale Cost were determined by relevant Technology Business Management (TBM) IT function. Scale costs are costs to enable and support significant FTE growth spurts without hampering IT performance and service delivery and are in addition to Year 1 and Recurring costs. For scale costs, only Network, Desktop Support, and IT Service Management are included. Additional scale costs may need to be considered. Costs beyond 3-5 years should be assumed to have lower confidence due to market variability in software/hardware components that are impossible to fully predict at this time.

Basis for Estimate

- Year 1 Costs per FTE = \$4,798, recurring Costs per FTE = \$3,534
- Total NEW FTE numbers derived by VBA through 2030 for increases in expected claim volume associated with expansion in presumptive conditions of veteran toxic exposures
- Reviewed Technology Business Management (TBM) Taxonomy v4 to identify initial Towers / Sub Towers to include in an IT Cost Per FTE model,
- Collected current Year 1 and recurring costs from authoritative sources (e.g., End user Operations, Strategic Sourcing) where available.
- Derived costs from FY20 TBM obligations when actual costs were unavailable.
- Mapped costs collected / derived to TBM Towers / Sub Towers.

As stated above, VBA estimates utilizing 424 FTE in FY21. Using Year 1 cost estimate of \$4,798 per FTE, costs in FY21 amount to \$2,034. In FY22, an additional 1,048 FTE will be added for a total of 1,472 FTE; however, the Year 1 cost estimate of \$4,798 is applied to those new 1,048 FTE while the remaining 424 FTE will incur the recurring cost estimate per FTE of \$3,534. Combining both amounts equals \$6,526. Starting in FY23, FTE will be used for other purposes and thus, the total FTE dedicated to this project will decrease to 773 FTE. Therefore, only the recurring cost estimate of \$3,534 will apply to FTE estimates from FY23 to FY25. With 773 FTE in FY23, the estimated cost is \$2,590. In FY24 with 385 FTE, the estimated cost is \$1,361. Finally, in FY25 with 203 FTE, the estimated cost is \$717,402.

IT Cost Estimates to provision VBA FTE by FY - Summary										
Fiscal Year	VSR ¹	RVSR ²	CA ³	QRT ⁴	MGMT ⁵	HR ⁶	SSD ⁷	VBACO ⁸	Total FTE	Total Projection (\$000s)
Grade	10	12	6	13	13	12	11	13		
2021	160	173	27	17	25	7	7	8	424	\$2,034

2022	553	603	92	58	87	26	26	27	1472	\$6,527
2023	270	306	46	29	43	13	13	13	773	\$2,590
2024	143	159	24	15	23	7	7	7	385	\$1,361
2025	75	83	13	8	12	4	4	4	203	\$717
Total	553	603	92	58	87	26	26	27	1,472	\$13,229

- 1- Veterans Service Representative
- 2- Rating Veterans Service Representative
- 3- Claims Assistant
- 4- Quality Review Team
- 5- Management
- 6- Human Resources
- 7- Support Service Division
- 8- Veterans Benefits Administration Central Office

System Enhancements

Basis of Estimate

- Cost estimate per Sprint/team = \$60,000
- Bulk of adding new capability will occur within FY22 and FY23. Specifically, 38 Sprints in FY2022-2023, 16 Sprints in FY2024 and 6 Sprints in FY2025
- Adding estimated increase in cloud credits and infrastructure as 5% of existing FY22 budgeted amount for benefits for years FY22 and then 7% uplift thereafter.
- Reserving at least 1 quarter of sprints in FY24-30 for enhancement work
- Sprints are based on analogous estimation of previous related work where available
- Sustainment steady-state estimated at roughly 20% of initial investment costs

FY	Sprints	Total Sprint costs (\$000s)	Data Services (\$000s)	Cloud Credits / Infrastructure (\$000s)	Subtotal (\$000s)	Steady State (\$000s)	Total FTE Cost Projection (\$000s)
2021	0	\$0	\$0	\$0	\$0	\$0	\$0
2022	38	\$2,280	\$250	\$654	\$3,184	\$0	\$3,184
2023	38	\$2,280	\$250	\$325	\$2,855	\$637	\$3,492
2024	16	\$960	\$100	\$348	\$1,408	\$571	\$1,979
2025	6	\$360	\$50	\$372	\$782	\$282	\$1,064
5-Year	98	\$5,880	\$650	\$1,699	\$8,229	\$1,489	\$9,718
2026	6	\$360		\$398	\$808	\$156	\$965
2027	6	\$360	\$50	\$426	\$836	\$161	\$998
2028	6	\$360	\$50	\$456	\$866	\$167	\$1,033
2029	6	\$360	\$50	\$488	\$898	\$173	\$1,071
2030	6	\$360	\$50	\$522	\$932	\$179	\$1,111

10- Year	128	\$7,680	\$900	\$3,988	\$12,568	\$2,327	\$14,896
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FY	Total FTE Cost Projection (\$000s)	Total Projection (\$000s)	Totals
2021	\$0	\$2,034	\$2,034
2022	\$3,184	\$6,527	\$9,711
2023	\$3,492	\$2,590	\$6,082
2024	\$1,979	\$1,361	\$3,340
2025	\$1,064	\$717	\$1,781
5- Year	\$9,718	\$13,229	\$22,947
2026	\$965	\$622	\$1,587
2027	\$997	\$611	\$1,609
2028	\$1,033	\$604	\$1,637
2029	\$1,071	\$601	\$1,672
2030	\$1,111	\$601	\$1,712
10- Year	\$14,896	\$16,410	\$31,306

Board of Veterans Appeals

The General Operating Expense (GOE) estimate for 2022 is \$5.8 million and it includes salary, benefits, and other nonpayroll costs like support contracts and interagency agreements, including transcription contracts associated with hearings, research tools, human resources, and labor relations support. Five-year costs are estimated at \$64.0 million and 10-year costs are estimated at \$87.3 million.

GOE Workload & Costs			
Fiscal Year	Appeals	FTE	Obligations (\$000s)
2021	0	0	\$0
2022	2,750	33	\$5,775
2023	11,189	136	\$24,221
2024	10,262	125	\$22,676
2025	5,004	61	\$11,287
5-Year Total	29,205		\$63,959
2026	2,666	32	\$6,139
2027	1,867	23	\$4,388
2028	1,765	21	\$4,235
2029	1,735	21	\$4,249
2030	1,724	21	\$4,310
	38,962		\$87,281

Methodology

VBA estimates 64,548 non-Appeals Modernization Act (AMA) claims will be processed in 2021. Based on recent figures under the new AMA framework, VA estimates four percent of these decisions, or an additional 2,750 appeals, will come directly to the Board in 2022. In 2023, another 9,443 appeals are expected to come directly to the Board based on 221,662 non-AMA claims processed by VBA. In 2023, an additional 1,746 appeals, or nine percent of initial AMA decisions, will be refiled and reach the Board after first going to VBA for a Higher-Level Review or Supplemental claim review in 2022. Increased appeals peak in 2023.

The Board does not anticipate appeals receipts or increased GOE costs for the 4th quarter FY 2021. GOE costs for subsequent years were based on a composite of Veteran Law Judges (VLJs), decision writing attorneys and the appellate operations support staff necessary to move appeals through intake, hearings, decision, and dispatch. Staffing levels (FTE) required are estimated to be allocated as follows: 11% Veterans Law Judges, 75% decision writing attorney's, and 14% appellate operations support staff. During the peak of increased appeals in 2023, the Board anticipates hiring a total of 15 VLJs at the Administrative Law Judge AL-1 rate, 102 attorneys at the GS-11 through 14 levels, and 19 appellate operations support staff at the GS-7 through 13 levels. Historically 92 percent of total Board costs are associated with payroll and that assumption remains constant. Additional nonpayroll costs to support contracts and interagency agreements (IAA's) including transcription contracts associated with hearings, research tools, human resources, and labor relations support were factored into the total costs.

Veterans Health Administration (VHA)

There are VHA transfers associated with this rulemaking. The transfers are estimated to be \$2.7 million in FY2021, \$241.6 million over five years, and \$701.1 million over ten years. Expenditures due to additional compensation and pension exams are not included in this analysis because those estimates are being provided by VBA.

Fiscal Year	Enrollment and Expenditure Impacts Toxic Exposure - Rhinitis, Sinusitis, & Asthma				
	Cumulative Enrollment Impact	Expenditures for New Enrollment (in 000s)	Additional Expenditures Due to Increased Reliance (in 000s)	Net Estimated VHA Collections (in 000s)	Total VHA Expenditure Impact Net Collections (in 000s)
2021	0	\$0	\$1,532	-\$1,169	\$2,700
2022	0	\$0	\$42,750	-\$229	\$42,979
2023	0	\$0	\$57,750	\$151	\$57,599
2024	0	\$0	\$66,953	\$683	\$66,270
2025	0	\$0	\$73,354	\$1,312	\$72,043
5-year Total		\$0	\$242,339	\$749	\$241,590

2026	0	\$0	\$80,400	\$2,029	\$78,371
2027	0	\$0	\$87,777	\$2,795	\$84,981
2028	0	\$0	\$95,280	\$3,585	\$91,695
2029	0	\$0	\$102,927	\$4,401	\$98,526
2030	0	\$0	\$111,273	\$5,318	\$105,955
10-year Total		\$0	\$719,996	\$18,877	\$701,118

Based on guidance from VBA and other stakeholders, an August 1, 2021 implementation date is assumed for this VHA analysis. Also, no retroactive benefits are expected to accrue with respect to enrollment eligibility and VHA's liability for medical service expenditures.

The expenditure impact to VHA is anticipated to come from the following key driver:

- Increased reliance on VHA is expected among GW Veterans with rhinitis, sinusitis, and asthma who are already enrolled or projected to enroll with VHA under existing policies. In particular, existing enrollees with these conditions may receive a service-connected (SC) rating for the first time or an increase to a composite rating that was based on other conditions. Enrollees' priority levels are largely expected to increase into or within priorities 1-3, and their reliance on VHA for health care services is expected to grow as a result.

Assumptions and Methodology:

Projected Gulf War Population with Rhinitis, Sinusitis, and Asthma

This analysis relies on population estimates of GW Veterans that are adjudicated with at least one of the three new conditions, provided by the Veterans Benefits Administration (VBA). VBA estimates this population will total approximately 52,000 Veterans in FY 2021 and grow to approximately 361,000 in FY 2030. The caseload of Veterans estimated to qualify for additional benefits as a result of the regulation is considerably smaller than the total Veteran population. As noted above, there are approximately 3.2 million Veterans of the Gulf War Era with combat operation experience in theater.

VBA estimates of the benefit caseload are divided into those GW Veterans assumed to already be present in the VBA compensation rolls for separate conditions (On Rolls) and those who would be newly added as a result of the condition expansion (New to Rolls). For each of these two groups, VBA has also estimated the additional service-connected disability rating attributable to only the GW Expansion conditions. These assumptions are appended to this document in Table 1.

Impacts

The following outlines provide the steps, data, and assumptions used to arrive at the enrollment and expenditure impacts on the GW population due to this rulemaking.

Enrollment Impact

Due to the high enrollment rates within the Gulf War Era population, no new enrollment is assumed as a result of this rulemaking. Veterans of the first Gulf War and its related operations are already eligible to enroll in at least Priority 6. Post-9/11 combat Veterans have been eligible to enroll under enhanced eligibility in at least Priority 6¹. These groups have achieved a high enrollment level over the years as a result of Priority 6 eligibility, service-connected status, and others. As of FY2020, approximately 70% of Gulf War Era and OEF/OIF/OND Veterans were eligible to enroll in VHA. Of those eligible, approximately 67% of Gulf War Era Veterans are enrolled in the VA health care system, and approximately 75% of OEF/OIF/OND Veterans are enrolled. Although no new enrollment is anticipated, increased reliance is anticipated as discussed below, which will expand health care available to Gulf War Veterans.

Reliance Impact

The expenditure impact for existing enrollees is assumed to come from an increased level of reliance on VHA for medical care as higher enrollment priorities are attained. An induced utilization impact is also modeled as enrollees move to priorities with lower cost-sharing. This impact will come from both the New to Rolls and On Rolls populations.

For each analysis year, the following process is used to partition the New to Rolls population into two groups: Existing Enrollees New to Rolls and Non-Enrollees.

1. Veterans New to Rolls are non-service-connected and are assumed to have an initial enrollment priority among Priority 4 through Priority 8 (assuming they had already enrolled in VHA) according to the Priority 4 through Priority 8 distribution of VHA Enrollees in the Gulf War cohort.
2. The VHA enrollment market share for the Gulf War cohort is applied to the Veteran population in the initial priority to arrive at the Existing Enrollees New to Rolls. The remaining Veterans are expected to remain Non-Enrollees.

For the Existing Enrollees New to Rolls, the next step is to determine priority transitions as a result of the additional service-connected rating.

1. The caseload estimates provided by VBA provide the additional service-connected percentage for the New to Rolls population. For this analysis, we assume the distribution of additional SC% equally applies to each priority in the Existing Enrollees New to Rolls population.
2. Since all Existing Enrollees New to Rolls have a starting service-connected percentage of 0%, the additional service-connected percentage determines the priority these enrollees will transition to as a result of the policy. Enrollees with 0% additional service-connected percentage are assumed to transition to at least Priority 6.

¹ <https://www.va.gov/health-care/eligibility/priority-groups/>

A similar process is used to determine the initial and transition priorities for the On Rolls population. This process differs slightly for Existing Enrollees new to Rolls with regards to the assumed distribution of the SC ratings. The starting distribution is assumed to follow that of total GW enrollee population. The additional SC rating due to rhinitis, sinusitis, and asthma follows the assumed mix provided by VBA (see bottom of Table 1) and we assume that the additional SC rating implied by the policy is independent of the starting SC rating.

The Existing Enrollees New to Rolls and the On Rolls populations are combined into a single Existing Enrollees group. To determine the expenditure impact due to reliance changes for the Existing Enrollees, the estimate for LTSS Long Stay services was developed independently from all other medical care.

The process to obtain impact estimates for Other Services (i.e., non-LTSS Long Stay services) is described below:

1. The BY19 reliance for Other Services by priority and age band was used to gross up the BY19 Scenario BAA9 Per Member Per Year (PMPY) costs to a level representing full reliance on VHA for GW enrollees.
2. The estimated full reliance PMPY cost for Other Services is adjusted to account for induced utilization due to lower enrollee copays as Existing Enrollees transition to a higher priority.
3. The expenditure impact for Existing Enrollees due to the change in reliance (always assumed to be non-negative) was estimated by applying the before-and-after priority reliance to the full-reliance PMPY for Other Services, then taking the difference. This expenditure impact due to a change in reliance was only modeled for transitions up to Priority 6.
 - a. For all transitions from priorities 6-8 to higher priorities, the induced utilization due to lower enrollee copays for these higher priorities was modeled in place of the full reliance impact. For example, if a veteran transitioned from Priority 8 to Priority 3, the reliance impact was modeled as a transition from Priority 8 to Priority 6, and the remaining impact was modeled as an induced utilization impact from Priority 6 to Priority 3.

Example – Reliance Impact-Other Services:

Assume 100 Enrollees in the Existing Enrollee population transition from priority 7 to priority 3 under the policy and assume the following:

- Reliance: Priority 7 = 25%, Priority 6 = 30%, Priority 3 = 40%
- Induced Utilization factor: Priority 7 = 0.9, Priority 3 = 1.1
- Average VHA PMPY Other Services cost for Priority 3 GW enrollees = \$25,000 (consistent with the 40% reliance for Priority 3).

Then under the methodology described above, we calculate the expenditure impact due to the increase in reliance from Priority 7 to Priority 3 levels as follows:

$$\text{Reliance Impact} = (\$25,000 / 40\%) * (1.1 / 0.9) * (30\% - 25\%).$$

The process to arrive at impact estimates for LTSS Long Stay services differs from the more general process above because eligibility for these long-stay services is largely reserved for P1a enrollees (i.e. 70% or greater service-corrected disability). The process to calculate the impact estimates for LTSS Long Stay services is shown below:

1. The average PMPY medical expenses for LTSS Long Stay services were calculated by 5-year age-band and enrollment priority.
2. The expenditure impact for LTSS Long Stay was calculated as the adjusted PMPY of the transition priority, less the adjusted PMPY of the starting priority, which is assumed to be non-negative.

Between 20% and 30% of the total VHA expenditure impact (depending on the year) comes from LTSS Long Stay services.

Data Reliance and Variability of Results

Models used in the preparation of our analysis were applied consistently with their intended use. Where we relied on models developed by others, we have made a reasonable effort to understand the intended purpose, general operation, dependencies and sensitivities of those models. We relied on input, review, and validation by other experts in the development of our models.

The results contained in these reports are projections based on modeling assumptions and historical data. Actual results will differ for many reasons. For example, it is impossible to determine how world events will unfold. Those events that impact the economy and the use of the nation's military may have a profound impact on enrollment and expenditure projections. In addition, many of the modeling variables are assumed to be constant over time, which may not match actual events. This analysis has not attempted to present results for all possible or even all likely outcomes. Emerging experience should be continually monitored, and adjustments are made, as appropriate.

Table 1 - VBA Caseload Assumptions

Toxic Exposure - Rhinitis, Sinusitis, & Asthma Veteran Caseload by Degree of Disability										
Veterans New to Compensation Rolls										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
0%	11,384	49,262	63,057	69,008	70,976	72,920	74,826	76,676	78,466	80,191
10%	5,648	24,531	31,142	33,982	34,906	35,819	36,714	37,583	38,424	39,234
20%	448	1,931	2,494	2,738	2,820	2,901	2,980	3,057	3,132	3,204
30%	4,300	18,730	23,627	25,722	26,395	27,061	27,713	28,346	28,958	29,548
40%	575	2,481	3,196	3,506	3,610	3,712	3,813	3,910	4,004	4,095
50%	827	3,602	4,546	4,950	5,080	5,208	5,334	5,456	5,574	5,688
60%	614	2,670	3,382	3,687	3,786	3,883	3,979	4,072	4,162	4,248
70%	87	375	479	524	539	554	568	582	595	608
80%	12	53	67	74	76	78	80	82	84	86
90%	0	1	1	1	1	1	1	1	1	1
100%	166	723	913	994	1,020	1,046	1,071	1,096	1,120	1,142
Total	24,061	104,359	132,905	145,186	149,209	153,182	157,079	160,861	164,520	168,047
Veterans Already on Compensation Rolls for Separate Conditions										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
0%	13,048	56,464	72,277	79,098	81,354	83,581	85,766	87,887	89,938	91,916
10%	6,473	28,117	35,696	38,950	40,010	41,056	42,082	43,079	44,042	44,970
20%	514	2,213	2,859	3,138	3,232	3,325	3,416	3,504	3,590	3,672
30%	4,928	21,468	27,082	29,483	30,255	31,017	31,765	32,490	33,192	33,868
40%	659	2,843	3,664	4,019	4,138	4,255	4,370	4,482	4,590	4,694
50%	948	4,129	5,211	5,674	5,823	5,970	6,114	6,254	6,389	6,520
60%	704	3,061	3,876	4,226	4,339	4,451	4,561	4,667	4,770	4,869
70%	99	430	549	601	618	635	651	667	682	697
80%	14	60	77	84	87	89	92	94	96	98
90%	0	1	1	1	1	1	1	1	1	2
100%	190	829	1,046	1,139	1,169	1,199	1,228	1,256	1,283	1,310
Total	27,578	119,616	152,338	166,414	171,025	175,578	180,045	184,382	188,575	192,616
*Caseload is not "new" each year. For example, most of the Veterans listed for FY22 are also included in the counts for FY23.										
*Disability rating represents rating(s) for new GW Presumptive condition(s) only.										
*Disability ratings are combined if Veteran is assumed to have multiple new presumptive conditions; however, they are not combined with										

Accounting Statement and Table: As required by OMB, VA summarizes the annualized estimates of yearly transfers and costs in the accounting statement table below.

Five Year Projection in Real Dollars (Annualized 3% & 7% Values) (Inflation rates are not applied in this table)										
Category		Transfers (\$000)								
Year Dollars		FY2021	FY2022	FY2023	FY2024	FY2025	Present Value		Annualized	
							3%	7%	3%	7%
Federal Annualized Monetized	Low Est.	na	na	na	na	na	\$0	\$0	\$0	\$0
	Pri. Est.	\$129,185	\$1,189,773	\$1,153,520	\$1,169,831	\$1,172,660	\$4,353,458	\$3,830,092	\$922,910	\$873,013
	High Est.	na	na	na	na	na	\$0	\$0	\$0	\$0
From/To: & Period Covered:	From:	Federal Government			To:	Eligible Veterans			Period Covered:	FY2021-FY2025
Notes:	This rulemaking establishes presumptive service connection for three chronic respiratory health conditions, i.e., asthma, rhinitis, and sinusitis, including rhinosinusitis, based on exposure to fine, particulate matter. Transfers are associated with increased veterans' access to health care and increased compensable service-connected disabilities.									
Category		Costs (\$000)								
Year Dollars		FY2021	FY2022	FY2023	FY2024	FY2025	Present Value		Annualized	
							3%	7%	3%	7%
Federal Annualized Monetized	Low Est.	na	na	na	na	na	na	na	na	na
	Pri. Est.	\$10,290	\$213,611	\$128,585	\$81,102	\$45,494	\$440,314	\$395,466	\$93,344	\$90,141
	High Est.	na	na	na	na	na	na	na	na	na
Notes:	This rulemaking establishes presumptive service connection for three chronic respiratory health conditions, i.e., asthma, rhinitis, and sinusitis, including rhinosinusitis, based on exposure to fine, particulate matter. Costs are associated with increased Government Operating Expenses (IT, FTE).									
Category		Benefits								
Notes:	This rulemaking will allow VA to provide immediate health care, services, and benefits to current and future Gulf War veterans who may be affected by particulate matter due to their military service, and to ease the evidentiary burden of Gulf War veterans who file claims with VA for these most commonly claimed respiratory conditions associated with such exposure.									

Submitted by: Veterans Benefits Administration (VBA). Questions regarding the regulatory impact analysis should be submitted to 211-regulations.vbavaco@va.gov

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